

- 25.5.2 is independently developed by the receiving party provided that the employee(s) undertaking such development activities do not use and incorporate the other party's Confidential Information; or
 - 25.5.3 is or becomes publicly available through no breach of this Agreement or fault of the receiving party; or
 - 25.5.4 is obtained by the receiving party from a third person who is under no obligation of confidence to the party whose Confidential Information is disclosed and without restriction on subsequent disclosure; or
 - 25.5.5 is disclosed without restriction by the disclosing party; or
 - 25.5.6 is disclosed by court order or as otherwise required by law, provided that the party required to make such disclosure notifies the other party promptly upon learning of the possibility of any such court order or legal requirement and provides the other party with a reasonable opportunity (and cooperates with the other party) to contest or limit the scope of such required disclosure (including application for an appropriate protective order).
- 25.6 The requirements regarding use and confidentiality of the other party's Confidential Information expressly set forth herein shall survive the expiration, termination or cancellation of this Agreement for a period of seven (7) years.

26. COMPENSATION FOR SERVICES

26.1 Payment

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For the satisfactory performance of the Services hereunder, Customer shall pay Supplier the amount(s) specified in individual Task Orders issued by Customer from time to time for Services and any specified reimbursable expenses within forty-five (45) days after receipt of Supplier's invoice.

In addition, Supplier shall be reimbursed for reasonable expenses actually and necessarily incurred at the direction of Customer and specifically authorized in writing. Supplier shall obtain approval for such expenses prior to incurring them.

26.2 Invoices

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- 26.2.1 Invoices shall be rendered monthly unless otherwise agreed.
 - Such invoices shall state, for each Service performed or reimbursable expense incurred, a description of the specific Service performed, the date performed, the time required to render such Service if the cost is based on an hourly charge, the cost or charge for such Service, reimbursable expenses incurred and their nature or type, date incurred and cost. Expenses shall be identified (e.g., lodging, meals, travel) and receipts (or other documentation that will satisfy an audit of such expenses) for all expenses exceeding Twenty-five Dollars (\$25.00) shall be attached to the invoice. Any taxes imposed on the provision of such Services or material hereunder shall be separately stated on any invoice. Customer reserves the right to request and receive from Supplier documentation regarding any taxes, expenses, or other charges which Supplier claims Customer is obligated to pay.

26.2.2 Customer is under no obligation to remit any disputed amounts on any invoice to Supplier until such dispute is resolved. In no event shall Customer be obligated to pay to Supplier, for any reason, any amount in excess of the amounts set forth in individual Task Orders, except as otherwise mutually agreed upon in writing. In the event Supplier knows or expects that the costs for such Services and reimbursable expenses will or are likely to exceed the agreed amounts set forth in a Task Order, Supplier shall, at such time, notify Customer in writing of such fact or expectation as well as the amount in excess and the reason(s) therefor. Supplier shall not incur such excess costs as part of any individual Task Order unless authorized in writing by Customer. Unless otherwise specifically agreed to in writing by Customer nothing contained herein shall be construed to create a fixed fee agreement. Customer may require Supplier to furnish evidence satisfactory to Customer that all claims for labor, material and other obligations arising hereunder have been satisfied prior to any payment by Customer for same.

26.3 Audit Rights

Supplier agrees that its records which relate to compensation payable to Supplier for the Services rendered hereunder shall be kept in accordance with generally accepted accounting principles and shall be available for inspection by Customer or a certified public accountant (a "CPA") mutually agreed upon by Customer and Supplier, during Supplier's normal business hours with reasonable prior notice and in any event, not less than five (5) working days. Any mutually agreed CPA must agree to sign Supplier's standard form of non-disclosure agreement requiring that Supplier's books and records of accounts shall be held in strict confidence except as may be necessary to report to Customer concerning the accuracy of such accounting records. All payments hereunder by Customer shall be subject to adjustment as determined by such audits. Such records shall be retained by Supplier for a period of three (3) years from the date of termination of this Agreement during which period they will be available for audit.

27. RELATIONSHIP TO SUPPLIER IN PERFORMANCE OF SERVICES

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Customer representative(s) shall be identified in Task Orders issued by Customer. Customer representative(s) shall exercise no supervision over Supplier's employees but shall be available to Supplier for consultation or advice and shall have reasonable access with reasonable advance notice to the Supplier's premises during Supplier's regular working hours to observe the work in progress. When approval or authorization from Customer is required hereunder, such communication shall be directed only to Customer representative(s).

28. OWNERSHIP OF PROPERTY AND INFORMATION

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28.1 Title to all property and Customer information owned by Customer and furnished to Supplier shall remain with Customer. Any property and Customer information owned by Customer and in Supplier's possession or control shall be used only in the performance of this Agreement unless otherwise authorized in writing by Customer. Supplier shall adequately protect such property and Customer information and shall return it to Customer following the expiration, termination or cancellation of this Agreement.

- 28.2 Title to all property and Supplier information owned by Supplier and furnished to Customer hereunder shall remain with Supplier. Any property and Supplier information owned by Supplier and in Customer's possession or control shall be used only in the performance of this Agreement unless otherwise authorized in writing by Supplier. Customer shall adequately protect such property and Supplier information and shall return it to Supplier upon the expiration, termination or cancellation of this Agreement.
- 28.3 Nothing herein shall be construed as granting to either party any ownership rights, title or interests under any copyrights, inventions or patents now or hereafter owned or controlled by the other party.

29. CANCELLATION OF AGREEMENT

- 29.1 Should either party at any time (1) become the subject of bankruptcy proceedings not terminated within thirty days of any filing, make a general assignment for the benefit of its creditors, or make or permit the appointment of a receiver for all or substantially all of its property, or be determined by a court of competent jurisdiction to be insolvent or unable to pay its debts as they mature, or (2) materially fail or refuse to prosecute its obligations hereunder diligently or perform any other requirement of this Agreement and/or any Task Orders and not cure such failure within thirty days after written notice thereof from the non-defaulting party, the non-defaulting party shall have the right, at its election and without prejudice to any other rights or remedies, to cancel this Agreement and/or any Task Orders, in whole or in part.
- 29.2 If either party cancels this Agreement and/or any Task Orders in accordance with the provisions of Section 29.1, it may recover from the other party all loss, damage, and expense incurred as a direct result of the other party's default hereunder.
- 29.3 Customer may elect to cancel this Agreement and/or any Task Orders, in whole or in part, as a result of any decision or action, or failure to decide or act, or order issued by any administrative agency, such that Customer does not have the authority or reasonable ability to undertake the Trial or to fulfill its obligations under this Agreement and/or any Task Order. In such event, Supplier may recover from Customer all reasonable expenses incurred by Supplier (including a reasonable allocation for overhead related to Supplier's activities in furtherance of this Agreement) in an amount equal to the lesser of Supplier's actual expenses or the corresponding budget of such expenses set forth in Exhibit 6, attached hereto and incorporated herein by this reference. Neither party shall be liable to the other party for any incidental, consequential or indirect damages, including, but not limited to, lost profits, in connection with any cancellation under this Section 29.

30. ACCEPTANCE

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- 30.1 Customer may perform tests during the term of this Agreement to assure that the Development Software and Services conform to the applicable Specifications and Customer's requirements. Should any Development Software or Services (or any part thereof) fail to conform with the applicable Specifications or with any of Customer's requirements as previously disclosed by Customer and accepted by Supplier in writing ("Supplemental Requirements"), Customer may reject the applicable Development Software or Services.

- 30.2 In the event of any such rejection, Supplier shall use diligent, good faith efforts to correct any noted nonconformance with the applicable Specifications or Supplemental Requirements. If, within a reasonable time (but, in any event, not more than ninety days), Supplier's correction efforts fail to bring any affected Development Software or Services into conformance with any applicable Specifications and/or Supplemental Requirements, Customer may return the affected Development Software or cancel the applicable Task Orders.
- 30.3 The selection of any of the foregoing options shall be at the sole discretion of Customer and shall be accomplished within a reasonable time frame mutually agreed upon by the parties.

31. WARRANTIES

- 31.1 Supplier warrants, solely for the benefit of Customer, that it has title, free of all liens and encumbrances, to all Standard Software and Development Software provided or licensed to Customer hereunder; provided, however, with respect to any software which is not owned by Supplier, Supplier warrants that it has the authority to grant to Customer the license of the scope granted to Customer pursuant to this Agreement, including the Task Orders issued hereunder.
- 31.2 Supplier warrants, solely for the benefit of Customer, that (a) all Development Software and Services will conform to the Specifications and Supplemental Requirements applicable thereto, and (b) to the best of Supplier's knowledge and belief, as of the effective date of this Agreement, the Standard Software do not infringe upon any validly issued and effective U.S. patent rights of any third party.
- 31.3 OTHER THAN AS EXPRESSLY SET FORTH IN SECTION 31.1 AND SECTION 31.2, SUPPLIER MAKES AND CUSTOMER RECEIVES, PURSUANT TO THIS AGREEMENT, NO WARRANTIES OR CONDITIONS, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, REGARDING THE STANDARD SOFTWARE, DEVELOPMENT SOFTWARE AND/OR SERVICES, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANT-ABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, AND THEIR EQUIVALENTS UNDER THE LAWS OF ANY JURISDICTION.

32. FURNISHING OF LABOR, TOOLS, EQUIPMENT AND MATERIAL

Except as otherwise expressly agreed upon by the parties, Supplier shall furnish, at its own cost and expense, all labor, supervision, machinery, tools, equipment, fuel, power, materials, expendable supplies, transportation, licenses, permits, bonds, and all other items that may be required or appropriate in the furnishing of the Standard Software, Development Software and/or Services except items which Customer specifically agrees to furnish. All materials, supplies, and other items purchased by Supplier shall be in Supplier's own name and account. Supplier shall be responsible for all freight and related charges associated with the delivery of the Standard Software and Development Software, and shall be responsible for in-transit loss or damage.

33. [INTENTIONALLY OMITTED]

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34. COMPATIBILITY INFORMATION

- 34.1 Upon request by Customer during the term of this Agreement, Supplier shall provide Customer with interface specifications describing the electrical, functional and physical interfaces of the Standard Software, Development Software, and Services.
- 34.2 Upon request by Supplier during the term of this Agreement, Customer shall provide Supplier with interface specifications describing the electrical, functional and physical interfaces of Customer's host system for the Trial.
- 34.3 Interface specifications and all other such compatibility information which is proprietary and confidential shall be treated in accordance with the Clause entitled "Confidential Information."

35. OWNERSHIP OF WORK PRODUCTS

- 35.1 All tangible materials and other items, in whatever medium or format, including, but not limited to, data, specifications, drawings, records, reports, software and related documentation, inventions, research or other information created by or for Supplier (either solely or jointly with others) which is required to be provided by Supplier to Customer as specified in any Task Orders (collectively "Work Products"), shall be promptly furnished to Customer. All such Work Products shall be the exclusive property of Customer and shall be deemed to be works for hire; provided, however, if any such Work Products include materials previously copyrighted by Supplier, then such materials shall continue to be owned by Supplier and Supplier hereby grants Customer a non-exclusive, royalty-free license in perpetuity to reproduce and use such copyrighted materials solely in conjunction with the Work Products. To the extent that they may not, by operation of law, be works for hire, Supplier hereby assigns to Customer all rights, title and interest in and to such Work Products including rights to copyright in all copyrightable material and in and to all patents that may be issued thereon. All such Work Products shall be deemed "Confidential Information" of Customer and subject to the terms and conditions set forth herein. Notwithstanding Customer's exclusive ownership of the Work Products, Customer agrees that Supplier shall have a non-exclusive, royalty-free license in perpetuity to reproduce, prepare derivative works, use and otherwise exploit the general purpose algorithms, subroutines and programming techniques incorporated in the source code forms of the Work Products, provided that any exercise of such license rights shall not infringe upon Customer's copyrights in the object code forms of the Work Products.
- 35.2 Supplier will assist Customer and its nominees in every proper way during and subsequent to the term of this Agreement (entirely at Customer's expense) with respect to Customer's efforts to obtain patents for the Work Products in any or all countries of the world, and Supplier will execute all papers (including assignments) and do all things that reasonably may be required in order to protect the rights, title and interests of Customer in and to the Work Products, and to vest in Customer or its nominees all such rights, title and interests in and to the Work Products, and any related patent applications and resulting patents.

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36. RIGHTS TO INVENTIONS, DISCOVERIES AND OTHER DEVELOPED INFORMATION (OTHER THAN WORK PRODUCT)

In the course of or as a result of providing Standard Software, Development Software and/or Services under this Agreement or any Task Orders, inventions, discoveries or improvements or proprietary and secret concepts, methods, techniques, processes, adaptations, ideas, specifications, business and technical information, computer or other apparatus programs, and other ideas, knowledge or data ("Intellectual Property") whether written or not, may be originated, discovered or developed by either of the parties. To the extent that any such Intellectual Property is not included within the Work Products, such Intellectual Property that originates with, or is discovered or developed by, employees of Supplier shall belong to Supplier. Such Intellectual Property that originates with, or is discovered or developed by, employees of Customer shall belong to Customer. To the extent that any such Intellectual Property is not included within the Work Products, the Intellectual Property that originates with, or is discovered or developed jointly by, employees of both parties shall belong jointly to both; provided, however, that each party shall give the other an unrestricted, royalty-free, irrevocable, non-exclusive, worldwide license to practice and otherwise exploit (and to authorize others to practice and otherwise exploit) such Intellectual Property. Each party shall sign, upon request, all papers and perform all reasonable acts which may be deemed necessary, desirable or convenient to the other party, at the expense of the requesting party, with respect to the filing and prosecution of applications for patents on such Intellectual Property and to maintain patents (if any) granted thereon. Each party shall acquire from its employees, consultants, representatives or agents who perform the work and/or make contributions to any such jointly developed Intellectual Property such assignments, rights and covenants to ensure that the other party shall receive the rights and interests provided for in this Clause. Each party shall assist the other party by executing such other documents as may be reasonably requested hereunder to evidence and/or confirm the parties' joint ownership of such Intellectual Property.

37. RIGHT TO INSPECT

Upon reasonable advance notice to Supplier, Customer may inspect Services performed by Supplier, whether in progress or completed, and whether such Services are performed on Customer's premises or elsewhere. The inspection or failure to inspect shall not be construed by Supplier as Acceptance, or as a waiver of any of Customer's rights hereunder.

38. DAMAGE TO PROPERTY

Each party shall immediately notify the other party and any third-party owners of real or personal property of any loss of or damage to such property caused by either party or any of its representatives or agents. In the event that any such loss or damages is caused by Supplier or any of its representatives or agents, Supplier shall take precautions and necessary measures to prevent further damage, and, at no expense to Customer, Supplier shall be solely responsible for replacing or repairing such property to the reasonable satisfaction of the property owner. In the event that any such loss or damages is caused by Customer or any of its representatives or agents, Customer shall take precautions and necessary measures to prevent further damage, and, at no expense to Supplier, Customer shall be solely responsible for replacing or repairing such property to the reasonable satisfaction of the property owner.

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39. SETOFF

All claims for money due or to become due to one party from the other shall be subject to deduction or setoff by the party having such payment obligation as a consequence of any counterclaim arising out of this Agreement.

40. ASSIGNMENT

Neither party shall be entitled to assign this Agreement, in whole or in part, or to assign or delegate any other right or obligation hereunder, without the other party's prior written consent, and any attempted or purported assignment or delegation without such consent shall be void; provided, however, an assignment confined solely to money due or to become due shall be void only to the extent that it attempts to impose upon the other party any obligations to the assignee that are additional to the payment of such monies, or to preclude either party from dealing solely and directly with the other party in all matters pertaining thereto, including the negotiation of amendments or settlements of amounts due. Each party reserves the right to assign this Agreement to any parent, subsidiary of parent, subsidiary, affiliate, successor or related company of such party, subject to the other party's prior written consent (which shall not be unreasonably withheld).

41. USE NOT ACCEPTANCE

The development and delivery of any Services by Supplier and the use of such Services by Customer for business, profit, revenue or any other purpose, shall not constitute Acceptance of such Services.

42. FORCE MAJEURE

Neither party shall be liable for failure to perform when such failure is caused by unforeseeable force majeure circumstances. If such circumstances occur and continue for a period of six (6) weeks, the party injured by the other's inability to perform may elect to (1) terminate this Agreement and/or any Task Orders immediately; and/or (2) suspend this Agreement and/or any Task Orders for the duration of the force majeure circumstances, and then resume performance under this Agreement and/or any Task Orders. The party experiencing the force majeure circumstances shall cooperate with and assist the injured party in all reasonable ways to minimize the impact of such circumstances on the injured party, including assisting in locating and arranging for substitute performance of the Services.

43. WAIVER

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Either party's failure to insist on performance of any of the terms or conditions herein or to exercise any right or privilege, or either party's waiver of any breach hereunder shall not be construed to be a waiver, or waive any other terms, conditions, or privileges, whether of the same or similar type.

44. COMPLIANCE WITH THE MODIFICATION OF FINAL JUDGMENT

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The parties shall conduct their business and their relationships under this Agreement in a manner consistent with the Modification of Final Judgment ("MFJ"), as issued in United States v. Western Electric Co., et al., Civil Action No.#82-0192 before the United States District Court for the District of Columbia ("Divestiture Court"), and all subsequent orders, rulings and interpretations issued by the Divestiture Court in that proceeding, and all rulings and interpretations by the United States Department of Justice in connection with that

proceeding, to the extent that the MFJ and subsequent orders, rulings and interpretations apply. In the event this Agreement, any of the provisions of this Agreement, or any of the activities under this Agreement, are determined to be inconsistent with or contrary to the MFJ, any subsequent order, ruling or interpretation by the Divestiture Court, or any other applicable federal, state, or local laws, court orders, agency orders, rulings, interpretations or regulations, the latter shall control and any inconsistent term or condition of this Agreement shall terminate without any additional liability attaching to either party. If the Agreement lawfully can be continued, and it is commercially practicable to do so, and the intent of the parties can be effectuated without the stricken provision(s), then the Agreement shall continue, as amended with the deletion of the inconsistent provision(s). If the Agreement lawfully can be continued, it is commercially practicable to do so, and the intent of the parties can be effectuated, but only by further modification of the Agreement, the parties may so modify the Agreement by executing an appropriate supplement to this Agreement. If the parties choose not to so modify this Agreement, then this Agreement shall terminate without any additional liability attaching to any party and further performance shall be excused.

45. SUBCONTRACTORS

Supplier shall obtain Customer's written consent prior to subcontracting any Services hereunder. Such requirement shall not apply to purchases of standard commercial supplies or raw materials incidental to the Services.

46. SEVERAL LIABILITY

The term Customer as used herein may be applicable to one or more parties and the singular shall include the plural. If more than one party is referred to as Customer herein, then their obligations and liabilities shall be several, not joint.

47. NONEXCLUSIVE AGREEMENT

It is expressly understood and agreed that this Agreement does not grant to either party any exclusive privileges or rights and each party may contract with other persons and entities for the development and/or exploitation of comparable products and/or software and/or services. Customer makes no guarantee or commitment for any minimum or maximum amount of business hereunder.

48. REMEDIES CUMULATIVE

The remedies provided herein shall be cumulative and in addition to any other remedies provided by law or equity.

49. LICENSE GRANT

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Supplier hereby grants Customer, subject to the terms and conditions of this Agreement, a non-exclusive, non-transferable license to reproduce and use the Development Software, including all future releases or versions, patches, fixes, corrections, enhancements, improvements, system modifications, and updates relating to such software (if any), solely in conjunction with the Standard Software and the Services, and only during the term of this Agreement. Further, Supplier agrees that no other license agreement of or concerning the Development Software, whether executed by Customer contemporaneously with this Agreement or purporting to become effective upon opening the delivery wrapper, shall alter, modify or amend the terms hereof.

50. LIMITATION OF LIABILITY

Except for the parties respective indemnity obligations hereunder and/or breach of the Section entitled "Confidential Information," neither party shall be liable to the other party for any incidental, consequential, special, or punitive damages of any kind or nature, including, without limitation, the breach of this Agreement or any termination of this Agreement, whether such liability is asserted on the basis of contract, tort (including negligence or strict liability), or otherwise, even if the other party has been warned of the possibility of such loss or damages.

51. ENTIRE AGREEMENT

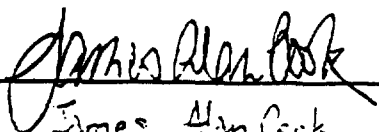
This Agreement, together with all referenced attachments hereto, shall constitute the entire Agreement between the parties with respect to the subject matter of this Agreement.

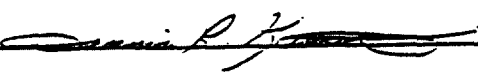
This Agreement supersedes all prior oral and written communications, agreements and understandings of the parties with respect to the subject matter of this Agreement, other than the Confidentiality Agreement between The 3DO Company and U S WEST Marketing Resources, dated August 4, 1993, and the Confidentiality Agreement (No. CS140471808) between U S WEST Advanced Technologies, Inc. and The 3DO Company, dated September 29, 1993, and the Confidentiality Agreement between U S WEST Marketing Resources Group, Inc. and U S WEST Advanced Technologies, Inc. and The 3DO Company, dated October 18, 1993, and the Nondisclosure Agreement between The 3DO Company and U S WEST Communications, Inc., dated April 1, 1994.

The parties intending to be legally bound have caused this Agreement to be executed by their duly authorized representatives on the dates set forth herein below.

THE 3DO COMPANY

US WEST BUSINESS RESOURCES, INC.
as agent for Customer

By: 
Name: James Alan Cook
Title: Senior Business Affairs
Date: September 7, 1994

By: 
Name: Dennis R. Kamstra, C.P.M.
Title: Corporate Contract Specialist
Date: September 2, 1994

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AGREEMENT NO.
LTHGR45773

EXHIBIT 1

SOFTWARE LIST

1. LIST OF STANDARD SOFTWARE:
2. LIST OF DEVELOPMENT SOFTWARE:

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List of Standard Software

3DO STANDARD SOFTWARE ENVIRONMENT:

<u>Prod. No.</u>	<u>Product Name</u>	<u>Description</u>
SW100TK	3DO Toolkit	3DO Software Development Environment
	3DO Debugger	Debugger tool
	3DO Compiler	C compiler
	3DO Linker	Linker
	3DO Assembler	Assembler
	3DO Librarian	Librarian for creating C libraries
	3DO Decoder	Object file decoder
	3DO Animator	32-bit paint and animation tool
	3DO Font Editor	Font editor
	3DO PPM Translator	PPM to 3DO file format translator
	3DO Custom Plug in's	Plug in modules for use with Photoshop®
	3DO CD Layout Tool	CD title layout tool
	3DO Digitizer	Capture and previews QuickTime video
	SoundHack	Audio translator
	3DO Construction Set	Imports and manipulates 3D models
	3DO Custom Code Module	Custom code module for DeBabelizer®
	3DO Documentation	Manuals for Hardware and Software

Note: Operating system software (3DO Portfolio) will be delivered with each 3DO Toolkit in accordance with the terms of this Agreement.

HW100DS1	3DO Station	The 3DO Hardware Development Environment
	Optical Link Card	Optical interface for hardware system
	Optical Link Cable	Cable for optical link
	Control Pad	Controller for hardware system
	Power Link Cable	Power supply cord for hardware system

3DO SOFTWARE:

<u>Prod. No.</u>	<u>Product Name</u>	<u>Description</u>
SW101AT	3DO Authoring Toolkit	3DO Authoring Environment
	Macromedia Director 3.1	Authoring, scripting and animation tool
	Macromedia MacroModel 1.5	3D modeling program
	Macromedia Three D 1.2	3D animation and image tool
	3DO Animator	32-bit paint and animation tool
	3DO Font Editor	Font editor
	3DO Custom Plug in's	Plug in modules for use with Photoshop®
	3DO Digitizer	Capture and previews QuickTime video
	3DO Construction Set	Imports and manipulates 3D models
	3DO Custom Code Module	Custom code module for DeBabelizer®
	3DO Extractor	Extracts Director® data into 3DO
	3DO Documentation	Manuals for the 3DO Authoring Toolkit

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3DO HARDWARE:

<u>Prod. No.</u>	<u>Product Name</u>	<u>Description</u>
HW101AC	3DO Artist Card	Nubus card emulates 3DO Station video output (NTSC)
HW102TS-P	3DO Testing Station	Multiplayer with switchable ROM's
HW103PM	3DO Mouse-DPK	Kit for 3 button mouse

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3DO CONTENT LIBRARY:

<u>Prod. No.</u>	<u>Product Name</u>	<u>Description</u>
SW102CL	3DO Content Library	Library of images, music, etc.

*3DO Toolkit is not sold as a site license. The number of copies of 3DO Toolkits at each site must equal or exceed the number of 3DO Stations.
The product names listed above are trademarks of the 3DO Company. Photoshop is a registered trademark of Adobe Systems Incorporated.
DeBabelizer is a registered trademark of Equilibrium, Incorporated.

List of Development Software

DEVELOPMENT SOFTWARE PRODUCTS

Network OS v1.0d5 (and subsequent releases)

The 3DO Network Operating System v1.0d5 and extensions to the OS include the following features:

- A/V Folio
- Database Folio
- Set-top Addressing
- Drivers for MPEG, Network Connection Option, etc.

Infrared Remote Software

Driver software for the infrared remote peripheral.

MPEG Tools

The 3DO MPEG tools provided are for the incorporation of MPEG encoded video into titles for network deployment.

HARDWARE PRODUCTS

3DO Network Station

The 3DO Network Station is a hardware solution that provides the digital capabilities of the STT (i.e. the 3DO capabilities) and a network solution that emulates the latency and bandwidth of a network. This Network Station will be the solution used by developers to emulate the STT.

Network Connection Option

The 3DO Network Connection Option is a card or external peripheral that can be added to the Network Station that will provide a direct connection from the Network Station the simulated network environment and its remote server.

Infrared Remote

The 3DO Infrared Remote is provided as a peripheral kit that allows the network development environment to receive and process IR remote input.

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EXHIBIT 2

TASK ORDER FORM

This Task Order is issued pursuant to the terms and conditions of that certain Agreement No. LTHGR45773, effective as of October 1, 1993 (the "Agreement"), by and between U S WEST Communications, Inc. ("Customer") and The 3DO Company ("Supplier").

1. SCOPE OF SERVICES

- 1.1 Project Description:
- 1.2 Statement of Work:
- 1.3 Work Products:
- 1.4 Specifications; Requirements

2. DOCUMENTATION STANDARDS

- 2.1 Status Reports: Upon reasonable request from Customer, Supplier shall submit a written Status Report to Customer's Project Manager detailing the then-current status of this Task Order. The Status Report shall enumerate any existing problems that may materially and adversely affect the progress of the Task Order and shall contain such additional information as Customer may reasonably require.

3. COMPENSATION

- 3.1 Fees: Supplier shall be paid _____ per person hour. In no event shall total compensation exceed _____ without prior written concurrence of the Project Manager.

- 3.2 Invoices: Supplier shall submit invoices for Services on a monthly basis to the attention of:

Invoices shall be detailed for each employee of Supplier assigned to provide Services and shall contain the Agreement and Task Order numbers under which the Services were provided. All invoices shall be paid within forty-five days after receipt by Customer.

- 3.3 Reimbursable Expenses: Supplier shall be reimbursed for expenses incurred in connection with the performance of Services in accordance with the provisions of the Agreement.

4. PROJECT MANAGEMENT

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- 4.1 Project Managers: The project manager for Customer is _____ ("Customer's Project Manager"), and the telephone number for Customer's Project Manager is _____. The project manager for Supplier is _____ ("Supplier Project Manager"), and the telephone number for Supplier's Project Manager is _____. Customer shall notify Supplier in writing thirty days prior to any change of Customer's project manager. Supplier

shall notify Customer in writing thirty days prior to any change of Supplier's project manager.

- 4.2 *Meetings:* Customer Project Manager and Supplier's Project Manager shall meet as often as deemed appropriate to discuss accomplishments, plans for future work, new requirements, milestone dates, problem resolution and such other topics as are appropriate for good project management.
- 4.3 *Project Changes:* During the performance of Services changes to the Project may be required or requested by Customer. Customer's Project Manager shall issue a signed Project Memo to Supplier which will detail the changes contemplated. Supplier shall determine how the change required will impact the milestone dates, Supplier's cost of providing the changed Services if passed on to Customer, and the fees to be paid to Supplier. Following receipt of this analysis, Customer may elect to proceed with the Project or further negotiate Supplier's costs, fees, and milestone dates. If Customer rejects the changes and elects to terminate Services, Customer shall reimburse Supplier for the time and materials cost of providing such analysis to Customer.
- 4.4 *Customer's Obligations:* Customer acknowledges that performance by Supplier requires information and cooperation from Customer. Customer shall provide complete, timely and accurate information regarding Customer's requirements and all other data and information necessary for performance by Supplier.

5. TERM OF TASK ORDER

This Task Order shall become effective: _____
and shall terminate: _____

The parties understand that time is of the essence.

The parties intending to be legally bound have caused this Task Order to be executed by their duly authorized representatives on the dates set forth hereinbelow.

THE 3DO COMPANY

U S WEST BUSINESS RESOURCES, INC.
as agent for Customer

By: _____

By: _____

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Name: _____

Name: _____

Title: _____

Title: _____

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Date: _____

Date: _____

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EXHIBIT 3

THE 3DO PROPOSAL TO U S WEST
FOR THE OMAHA TRIAL
(Dated June 18, 1993)

Certain elements of the following proposal (e.g., Content for Hotel Based Test), dates and allocation of resources have been revised or otherwise modified to accommodate changes in the scope or duration of the Trial, and/or to reflect the parties' evolving understanding of the desired implementation of the technical and marketing phases of the Trial.

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1. EXECUTIVE SUMMARY

3DO would like to propose that US West utilize the 3DO technology for the Omaha trial scheduled to begin in February 1994. The 3DO technology will be of great benefit to the trial in that it will significantly differentiate services available via the US West network from traditional cable services. 3DO capabilities will also provide a foundation technology that will allow US West to expand into new interactive services that go well beyond "Video On Demand" and present a better visual perception of the services offered.

Why should US West choose 3DO technology over other computing technologies?

First, the 3DO technology offers the best price/performance solution available. The 3DO technology has been specifically designed to focus on high performance manipulation and interaction with video, audio and images. To achieve this objective the 3DO system employs dedicated hardware processing components coupled with a general purpose RISC processor. This unique and balanced approach leads to a more cost effective solution and provides higher total system performance than a design employing single large monolithic processor.

Second, 3DO provides a solution that offers synergy with the consumer electronics market. The 3DO Interactive Multiplayer, the CD based version, will be available from Panasonic in October of this year. Sanyo and AT&T have also committed to distributing this consumer electronic product and we are in discussions with several other potential hardware vendors as well. The use of this technology in the consumer markets will reduce the component costs for all systems, including a network version and ensure that interactive content is available for the network services market. It will also generate consumer awareness and demand for 3DO based products and services.

Third, any solution chosen for interactive services must have the support of content providers. Interactive services beyond video on demand will only develop if compelling content is developed. Already over 300 content providers have signed up at their own expense to develop interactive products for 3DO. This unprecedented level of support for a new platform will assure the rapid acceptance of 3DO technology. With over 90 known titles in development now, there will soon be an abundance of content available. US West needs to choose a solution that not only meets the requirements for general purpose computing, but has the support of those that are developing entertainment and interactive multimedia applications. Choosing a platform from a different market arena will significantly increase the spending required to develop the resources to recruit and support interactive application developers.

Finally, to meet a trial date of February '94, US West needs a solution that is available today. The 3DO final silicon and development stations are in production and the commercial version of the CD based product will ship in October. 3DO has also integrated an MPEG1 solution into the 3DO architecture, which was shown at the Summer Consumer Electronic Show on June 3.

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The following chart summarizes how 3DO stacks up to the competition.

Selection Criteria	3DO	RISC	PC	CD-I
Designed for interactive image processing	X			
High compute power (over 32-bit)	X	X		
Low cost solution	X			X
Synergy with the consumer electronics market	X			X
Large number of software developers focused on interactive multimedia content	X			*
Wide range of content in development	X		**	X
Hardware design proven and exists today	X		X	X

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* Only through financing by PIMA

** Only for commercial applications, limited entertainment or education software.

To ensure the success of US West's Omaha trial, 3DO is prepared to make a significant strategic and resource and commitment to US West. 3DO's commitment includes a total dedicated resource commitment of 27 engineers. In total 3DO is prepared to make an overall dollar commitment to the US West Omaha trial of \$2 to \$3 million dollars. 3DO's commitments to US West are outlined below:

Hardware Development Commitments:

- Set Top Box Design - 3DO will commit to work with SA or GI to design, develop and build the set top box with an infrared control device. This effort will be staffed by 6 hardware design engineers and 1 software engineer.
- Video Encoder Station - 3DO will commit to work with the decompression chip vendor to build a Video Encoder Station. This effort will be staffed by 1 hardware engineer and 3 software engineers.
- Network Development Environment - 3DO will commit to modify 3DO's current development system product (the 3DO Station) for the network services market. This will enable content developers to modify and develop content for US West's network trial. This effort will be staffed by 1 hardware design engineer.

System Software Commitments:

- Network Stack - Implement the network stack from the Internet Protocol Layer to the Network File System Layer. This would include a resource commitment of 2 to 3 programmers.

- 3DO Operating System Enhancements - 3DO will commit to augment the 3DO operating system to support the network environment and communicate with the network file system protocol. A total of 6 programmers will be assigned to this task.

Content Development Commitments:

- On Screen Program Guide - 3DO will commit to dedicating 1 to 3 programmers to work with US West's on screen program guide team to help develop the on screen guide to run on the 3DO set top unit. The specific number of programmers assigned by 3DO will depend on US West's needs.
- Content for Hotel based test - 3DO will commit to dedicating a minimum of 2 programmers to work with US West's team to develop content for a San Francisco hotel location trial. This would include porting and augmenting the existing CD-I based content to run on a 3DO platform. This content would be field tested in the hotel location in December and could be used for the February Omaha trial.
- Director Tools - 3DO will commit to shipping the Authoring Toolkit in July with the Director Extractor update shipping by the end of August.
- Content Library - 3DO will commit to shipping the Content Library by the end of August.

Technical Support Commitments

- Pre-Trial Support - 3DO will commit to assigning 3 engineers as technical support US West and the set top manufacturer. These resources will be in addition to the hardware and software development teams listed above and will include 2 hardware engineers and 1 software engineer. These resources will be assigned beginning July 1, 1993.
- 3DO Omaha - 3DO will commit to assigning a minimum of 5 engineers on site at the Omaha trial location beginning in January 1, 1994 and remaining through August, 1994. This team will include the pre-trial support team in addition to the application programmers that worked on the development of the on screen program guide.

License Considerations:

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- 3DO will forego all set top box royalties for the trial.
- 3DO will forego all content royalties for the trial.
- 3DO will provide additional resources not outlined in this proposal at the request of US West or the set top manufacturer. These resources will be provided at cost.

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The above commitments will meet US West's requirements for a trial start date of February 1, 1994. The overall schedule that 3DO is prepared to meet is detailed in Section I of this document. The remainder of this document details these commitments and outlines the proposed hardware and systems software design.

The 3DO technology will enable US West to significantly differentiate services provided via US West's network from traditional cable services and will give US West access to a wide range of content already in development. 3DO is also prepared to make a major resource and strategic commitment to US West. The 3DO team is anxious to get started and looks forward to working with the US West team.

2. ASSUMPTION OF REQUIREMENTS

This proposal has been based upon a number of assumptions that are outlined below. Since we have not seen an RFI, these assumptions and the information contained in this proposal are based primarily on conversations. Please inform us as soon as possible if we have misunderstood or made assumptions that are inconsistent with your plans.

2.1 Services

The intent of the system is to provide common carrier transport (level 1) to support a variety of passive and interactive services as provided by US West or a number of third party entities (level 2). Level 2 services will include delivery of standard analog cable TV, digital video, Pay Per View, Video on Demand, and interactive software for services such as directory information, program selection, shopping, education, and games.

2.2 Network

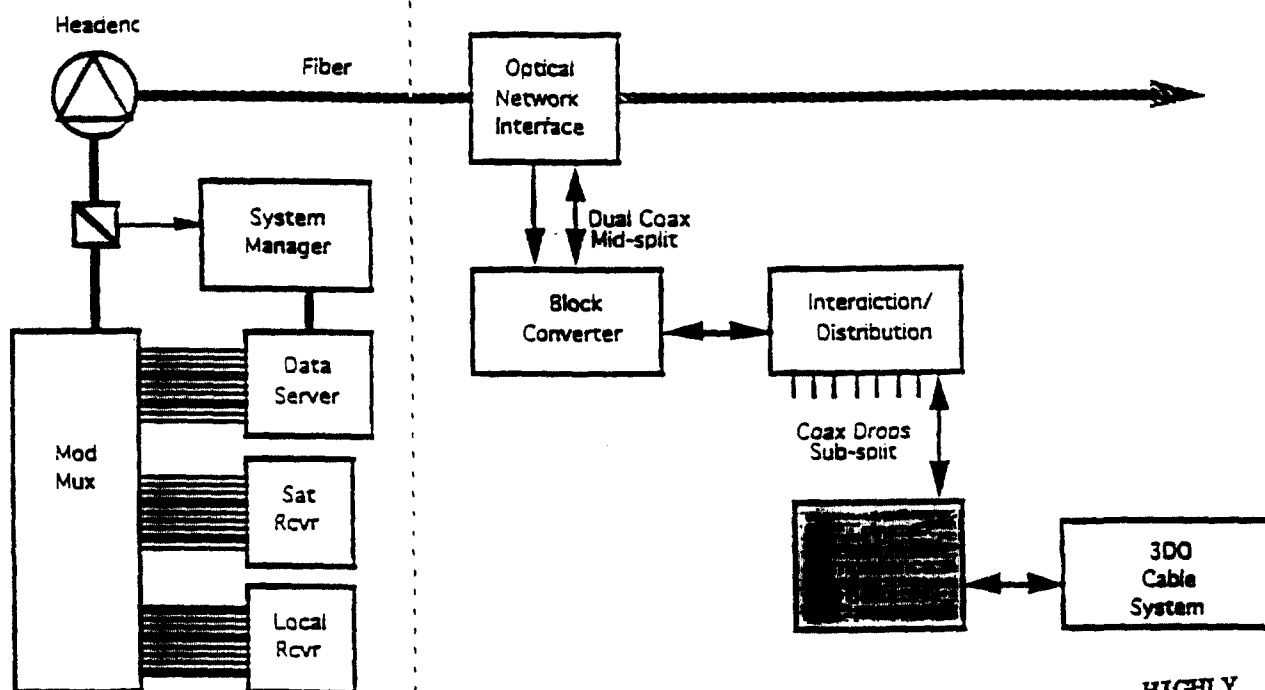
The network is an overbuild of the cable system in Omaha, Nebraska. Fiber will be deployed as the main trunk and twin coax drops will provide significant bandwidth for future expansion. One coax cable will be used as a one way broadcast medium. The 30-450 MHz region is reserved for standard analog delivery with interdiction provided by SA. Above 450 MHz is allocated to delivery of compressed video and data streams. Using the spectrum up to 750 MHz allows for roughly 400 channels of video assuming 3 Mbit/sec and 64QAM.

The second coax cable can be used to provide a return path to the head-end. Using a mid-split configuration, the upper spectrum bandwidth could also be used for additional downstream capacity. It is assumed that a neighborhood node or a point of entry passive module will multiplex the up and down stream paths onto one cable to provide a single interface for the set-top.

We are proposing that there would also be support for a full duplex data channel. Although there are several ways to accomplish this objective, this could be implemented using a fixed frequency (one for each direction) QPSK modem in the sub-split region. This high speed Ethernet like interface could be used for additional interactive and out-of-band communications or as a control channel. The passive node or P.O.E. module could then simply block convert each neighborhood into a different frequency band for delivery back to the head-end and servers. Low cost chips and ready software assures quick implementation. We will work with the set-top manufacturer and US West to define network transport models as well as the optimal solution for messaging and signaling.

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2.3 Set-top system

The long term goal is to support MPEG2 digital video and high speed interactive data transport. However, for this trial, MPEG2 will not be available in time. The bit budget is only 3 Mbit/sec and quality is important for trial validity. Based on several tests and theoretical models, the best quality available is MPEG1 using the CL450. MPEG1 has the additional advantage that future MPEG2 units will be able to support already encoded material. Therefore both the video content and the interactive content developed would not need to be discarded following the trial.

If Digicipher I or CL950 formats are used, significant engineering work will be required to reformat the video output and integrate the chip set. In addition, Digicipher I is not packet based and thus has limited facility for simulcast data streams. Since it is not in US West's interest to create a technical barrier or lock in one vendor at this stage we assume MPEG1 can be the form of digital video used in the trial. Similarly, use of proprietary forms of conditional access, modulation schemes, error correction methods, etc. also may create a single source vendor problem. 3DO is prepared to assist US West in developing alternate solutions and work with any vendor of choice to minimize these risks.

2.4 User Interface

We assume the user interface is a key component of the value provided by US West. Since this will be the first impression and the cornerstone of the view people have of this trial, we want to provide US West as much support as required to assure a high quality experience for the end user from the start.

2.5 Schedule

System turn-on date is set for February 1, 1994 and a lab test is planned for December, 1993.

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3. CONTENT FOR TRIAL

3.1 Interactive Titles

3DO is ideally positioned to help US West attract content developers both for the trial and for long term deployment of services. The 3DO platform has unprecedented support from the software development community with over 300 companies signed up as 3DO software licensees (the full list of 3DO software licensees is listed on Exhibit A). 3DO has gained this level of support from the developer community because of the huge technical leap in performance that the 3DO platform provides, the fairness of the 3DO business model and the strength of the 3DO partner companies.

These licensees represent developers who are working on a wide range of different applications. There are currently over 90 3DO titles in development that cover the following range of application categories.

<u>Category</u>	<u>Number of 3DO Titles in Development</u>
Simulation	14
Education	17
Interactive Movies	13
Sports	7
Videogames	22
Family Entertainment	5
Information	5
Other	8

3DO will commit to work with US West to help US West establish relationships with these developers. 3DO will also help identify companies to provide content for the Omaha trial and provide technical support to aid in the development process.

3.2 Video on Demand

The video on demand services that will be provided during the Omaha trial will need to be accessed through an on screen program guide. Because the 3DO technology has superior image processing and interactive capabilities, the type of on screen program guide that would be created in a 3DO environment will be much more compelling than alternative environments. A compelling on screen program guide will be critical to differentiate the US West service from traditional cable services and will be essential for generating consumer demand.

To assist US West in developing this on screen program guide, 3DO will commit to augment the US West human interface team currently working on this user interface. 3DO will commit to provide from one to three programmers to work with this team to assist in the programming portion of this application. Timing of this programming resource will be based on US West's schedule for reaching the programming portion of implementation of the on screen program guide application.

3.3 Content Development Process

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3.1.1 Content Development Process - Overview

An authoring environment will be critical for quick development of titles for the interactive services marketplace. Macromedia is one of the premier companies in the marketplace developing tools for multimedia content creation and authoring. For this reason, 3DO has entered into a strategic agreement with Macromedia to provide 3DO tool solutions based on Macromedia's Director product and other Macromedia tools. 3DO will ship an Authoring Toolkit in July that consists of several Macromedia products in addition to 3DO based tools for authoring and art creation. 3DO will also provide a Director Extractor to help developers convert products from Director into 3DO formats.

3DO has a full suite of Macintosh based software tools to assist in the content creation process. 3DO provides to developers both the 3DO Toolkit, targeted to C developers, and an Authoring Toolkit (shipping in July), targeted toward developers using Macromedia's Director. Since both of these 3DO development environments are Macintosh based there is also a large number of third party tools that can be used. In addition to the tools provided, 3DO will provide a Content Library to developers to assist in the content creation process.

Because both the Authoring Toolkit and the Content Library would be useful to US West in the development of content for the trial, 3DO will make the following commitments:

- 3DO will ship the Authoring Toolkit in July '93, with the Director Extractor available no later than August '93.
- 3DO will ship the Content Library in August '93, which will be comprised of approximately 200 CD's of sound effects, music, photographs, textures, clip art and text. Video footage will be available in the second release of the Content Library.

3.1.2 Content Development Process - Tools

The content development process is comprised of a variety of steps, which include the creation of content, the conversion of content, and the addition of interactivity. The following table outlines this process and shows that 3DO provides tools to assist in each step of the content development process through both the 3DO Toolkit and the Authoring Toolkit. Since these development environments are Macintosh based, we have also listed a number of the wide range of third party tools that are available in addition to the 3DO tools.

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	3DO Tools	Third Party Tools
Content Creation:		
Video Creation (video capture)	3DO Digitizer	Adobe Premier
	Video footage from 3DO Content Library	Other third party Quicktime tools, e.g. DigitalFilm from SuperMac
Graphics/Animation Creation	3DO Animator	Various 3D modeling & rendering packages, such as Swivel 3D, Renderman, infini-D.
	Textures, models and clip art from 3DO Content Library	
	Macromedia's Director*	
	Macromedia's Macromodel*	
	Macromedia's Three-D*	
Image Creation	Photoshop plug ins for 3DO	Adobe Photoshop
	3DO Animator	Various third party paint packages, such as Studio/32
	Photographs from 3DO Content Library	
	Macromedia's Director*	
Audio Creation	Soundhack	Digidesign AudioMedia II Tools
	ARIA	MIDI Keyboard /Sequencer
	Music and sound effects from 3DO Content Library	

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